CDPN TL2995
DOCUMENTAÇÃO

27 October 1989

JOINT STATEMENT BY SENATOR GARETH EVANS, MINISTER FOR FOREIGN AFFAIRS AND TRADE, AND SENATOR PETER COOK, MINISTER FOR RESOURCES

FINAL AGREEMENT REACHED ON TIMOR GAP COOPERATION TREATY

The Timor Gap Treaty, agreement on the terms of which was reached today, will be the most substantial bilateral agreement concluded in the forty year history of our relations with Indonesia.

It embodies the approach to our relations, stressed in Senator Evans's first meeting with Indonesian Foreign Minister Alatas a year ago, that the time had come to go beyond preoccupation with the atmospherics of our relationship, and to concentrate on the practical business of developing areas of mutual interest and mutual profit between Australia and Indonesia.

The Treaty negotiations have been driven by our shared economic objective to discover significant quantities of oil. But the process of developing together this unique and complex regime has involved an exercise in practical cooperation involving not only petroleum exploration and exploitation, but fiscal administration, customs, migration and quarantine, search and rescue, environmental protection and pollution control, criminal jurisdiction, employment regulation, scientific research and health and safety regulations.

The whole area of the Zone of Cooperation is almost 61,000 square kilometres (not much less than the whole area - 67,800 sq kms - of Tasmania). A map of the Zone is at Attachment A.

A Ministerial Council will be established to oversee the operation of the Treaty, and in particular, the exploration for and exploitation of petroleum resources in Area A, which is the area of joint development. Senator Cook and Mr Ginandjar, the Indonesian Minister for Mines and Energy, will be the responsible Ministers in regard to the petroleum operations.

The day-to-day administration of petroleum operations in Area A will be the responsibility of a Joint Authority which will report directly to the Ministerial Council. The Joint Authority is expected to be established in 1990, and will comprise an equal number of persons from Australia and Indonesia. Details of the essential functions of the administrative, mining, taxation and legal regimes to apply in Area A are at Attachment B.

The new agreement has a ten year history. Negotiations with Indonesia for delimitation of a seabed boundary, in the "Timor Gap" area that was not delimited by agreements reached in 1971-2, were opened in February 1979, but it became clear after several rounds of talks that it would be difficult to reconcile the two countries' competing claims.

Both governments subsequently began exploring the possibility of a provisional "joint development" regime, to operate pending final agreement on the precise boundary, and in 1985 agreement in principle was reached to this effect.

Detailed talks on how a joint regime area might be defined took place when Senator Evans visited Indonesia as Minister for Resources and Energy in June 1985, and in December of that year when the then Indonesian Foreign Minister, Dr Mochtar, visited Australia.

Following further officials' discussions, progress was accelerated when, on Senator Evans's first visit to Indonesia as Minister for Foreign Affairs and Trade in October 1988, he and Indonesian Foreign Minister Ali Alatas announced endorsement in principle of the three area "Zone of Cooperation" proposal and expressed the desire that a detailed agreement built around it should be concluded within a year.

That year is now up, and the timetable has been met. Over the last 12 months there has been an intense series of consultations between the two countries' negotiating teams, with Senator Cook making two visits to Indonesia to discuss progress with Minister Ginandjar.

It is hoped that the Treaty itself will be signed by Ministers Evans and Alatas at a ceremony in December.

The agreement embodies, in a real and practical way, the strong mutual political will that now exists between Australia and Indonesia to work together as friends, neighbours and economic partners.

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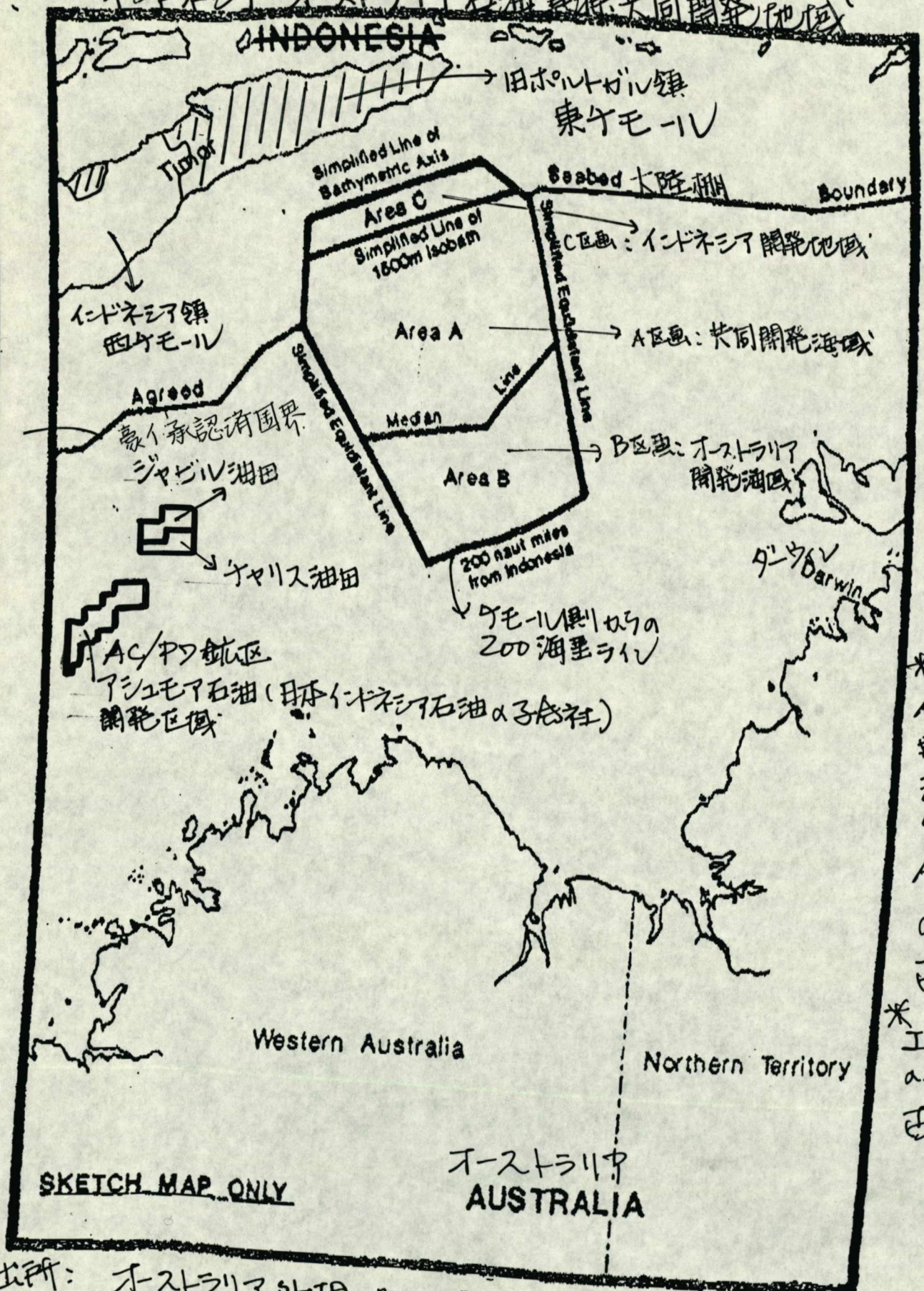
Canberra

ATTACHMENT A

ZONE OF CO-OPERATION

インドネシア・オーストラリア石油資源共同開発地域



※イ領：西ティモール
東ティモール領
ジャビル油田
チャリス油田
AC/PD鉱区
の表示は、
西訳のため

※INDONESIA
の表示、削除
西訳の作成

出所：オーストラリア外相、及びオーストラリア資源相の共同声明、添付資料
1989年10月29日

ATTACHMENT B

AREA A OF THE ZONE OF COOPERATION

Background

- The basic principle of the Treaty is that Australia and Indonesia will share equally in the benefits flowing from the exploration for and exploitation of petroleum resources in Area A.

- Area A is the area of joint development where the control of petroleum operations will be exercised by a Ministerial Council and a Joint Authority on behalf of Australia and the Republic of Indonesia. Petroleum operations in Area A will be carried out through production sharing contracts entered into between the Joint Authority and petroleum exploration companies.

Administrative Regime

- The Ministerial Council will have overall responsibility for petroleum operations in Area A. It will take all the major decisions, such as approving production sharing contracts, and will control the activities of the Joint Authority.

- The Joint Authority will be responsible for the day-to-day control of petroleum operations in Area A including the release of exploration acreage, entering into production sharing contracts, approving seismic surveys and the drilling of wells, agreeing project developments, exercising control over the safety and environmental aspects of petroleum operations and distributing to each country 50% of the proceeds of the Authority's share of petroleum production from contracts.

- The Joint Authority will have its head office in Jakarta and an office in Darwin. The Darwin office will contain the Technical Directorate which will be responsible for controlling exploration, development and production operations in Area A.

- The Joint Authority will be self-funding from contract application and contract service fees. Both Governments will provide initial loan funds to establish the Authority.

Mining Regime

- The petroleum mining code contained in the Treaty and the provisions of the production sharing contracts will provide the administrative and legal framework for contractors to explore for and, in the event of a discovery, to produce petroleum.

- Contracts will be awarded by a work program bidding system with the principal criteria being the amount and quality of the exploration program offered in the bid. In addition, the Joint Authority will assess the financial and technical capability of applicants to ensure they are able to comply with the contract and the petroleum mining code, including the necessary environmental and safety requirements.

- While contracts will have a term of thirty years, a contractor may terminate the contract if no discovery has been made in the first six years. Alternatively, contractors may exercise an option to request extension of the contract term to ten years. If no discovery is made after ten years, a contract is automatically terminated.

- If a discovery has been made but not appraised by the end of ten years, the contract term will be extended. If production is still continuing after thirty years, a contract may be extended beyond the thirtieth year and in the case of a natural gas project, the contract term will automatically extend to the term of gas sales contracts.

- Safety and environmental protection will be dealt with through regulations which will set standards equivalent to those now applying offshore Australia.

Production Sharing Formula

- The basic principle of the production sharing contract is that the Joint Authority owns all petroleum and, on behalf of the two countries, enters into contracts with companies to explore for and produce petroleum. In return, companies will receive a share of the petroleum produced.

- The first step in the sharing process designates 10% of any production as "First Tranche Petroleum". This percentage will increase to 20% after the fifth year of production. The First Tranche Petroleum will be shared between the Joint Authority and the contractor in accordance with the sharing ratios given below. In effect this means that, for crude oil production, a royalty of between 5% and 7% will be paid to the Joint Authority during the first five years of production.

- After the First Tranche Petroleum has been calculated, contractors will be allowed to recover Investment Credits for exploration and capital costs equal to the quantity of petroleum production equivalent to 127% of the exploration and capital costs incurred in each calendar year.

- In addition, contractors will be able to immediately recover all exploration and operating costs, and depreciation of capital costs. Depreciation is calculated on a 20% straight line basis.

- In any year in which production is insufficient to allow full recovery of investment credits and costs the remainder may be carried forward and recovered in future years.

- After the recovery of Investment Credits and all costs, the remaining quantity of crude oil production is shared according to the following formula:

Production Rate	Joint Authority Share
0 - 50,000 bpd	50%
50,000 - 150,000 bpd	60%
150,000 bpd +	70%

- The Joint Authority will receive a 50% share of natural gas production irrespective of production rates, after recovery of Investment Credits and all costs.

Taxation Regime

- Both countries will apply their tax legislation to Area A, but in such a way as to ensure that only 50% of income and 50% of expenditures will be taken into account by each country.

- For individuals working in Area A, rules will apply so that residents of Australia will be subject to Australian taxes and residents of Indonesia will be subject to Indonesian taxes.

Employment and Other Matters

- It is intended that contractors will give preference to the employment of nationals or permanent residents of Australia and Indonesia. The terms and conditions of that employment, including occupational health and safety, will be no less favourable than those applying to comparable categories of employment in both Australia and Indonesia.

- Criminal law will be applied on the basis of the nationality or permanent residency of the person.

- Under the provisions of the Treaty, Australia and Indonesia may apply their respective customs, migration and quarantine laws to individuals, equipment and goods entering their territories from Area A or leaving their territories for Area A.